

NOTE: The interview began at 3:25 p.m. The President spoke via satellite from Room 459 of the Old Executive Office Building. Participating in the interview were the editorial page editors of the Milwaukee Sentinel, the Milwaukee Journal, the Arizona Republic, and the Reno Gazette Journal.

Interview With Newspaper Editors August 2, 1993

Economic Program

Q. As you are well aware, Louisiana's Senator, Bennett Johnston, is or was at last report among the small, key group of Democrat Senators who've indicated reluctance to vote for your deficit reduction package. What are you doing or what can you do to get Senator Johnston's vote? And do you think you will ultimately get it?

The President. I don't know the answer to the last question, but what I've done is to try to take the strengths of both House and Senate versions of the bill and try to put them together. The strength of the Senate version was it had fewer overall taxes and was even more progressive. The strength of the House version was it had much more economic incentives, more economic growth incentives, for research and development, for investment in new firms, for small business, the things of that kind.

So the argument that I'm going to be making to all these Senators is that this plan now clearly has \$500 billion in deficit reduction; it will now have more spending cuts than tax increases in it; it will have over 75 percent of the new tax burden now borne by people with incomes above \$200,000; that the middle class tax burden is now down to \$33 a year; and that the economic growth incentives qualifying, for example, 90 percent plus of the small businesses in the country for a reduction in taxes if they invest more in their companies; and enabling the working poor through the earned-income tax credit to lift themselves above poverty by working full time, these are very, very important things. And the time has come to act.

Now, let me say just as a generic thing, since this may help to shape some of the other questions: The people who are leaning

against this program or have announced against it—not the Republicans, that's almost entirely a political deal; the Republicans have even opposed the conservative amendments to our budget to control entitlements and impose discipline. But the Democrats basically fall into two categories: There are those who think it's the right thing for the country, but they're afraid there's been so much misinformation out there about it that they'll get beat if they vote for it. And then there are those who think that it's a good first step, but it doesn't go far enough.

The only thing I would say to the latter group is that we do have to do something on entitlements, but we can't get there until we do something to reform health care spending overall, and that this is a major step that will stabilize the financial markets, keep interest rates down, and enable us to move on to health care reform, to getting a world trade agreement, to welfare reform, to the crime bill, to all these things that are out there crying for attention that we can't even address if we don't go ahead and get this budget out of the way. And also, there will be further budget cuts. The Vice President's report on reinventing Government is due next month. It will have many more suggested budget cuts. And the House of Representatives has already cut another \$10 billion off the budget that we can't fully count yet because the Senate hasn't acted. But when they do, we'll have even more cuts.

Deficit Reduction and Taxes

Q. Mr. President, good afternoon.

The President. Good afternoon.

Q. Let me pass on to you a question I'm getting increasingly from Constitution readers. How can you assure that your tax increase package does not have the same result as Mr. Bush's 1990 tax increase package, which is to say no result at all except higher taxes?

The President. I can do that in two ways. First of all, let's look at what happened in 1990. Why did the deficit reduction package in 1990 not produce the deficit reduction it was intended to? There were basically two or three reasons. But one big reason is that they overestimated how much the revenues

would bring in; that is, they had some very, very liberal revenue estimates, and those revenues did not materialize. So that within 60 days after the package passed, they revised downward the amount of deficit reduction by \$130 billion. Now, we have instead taken the most conservative revenue estimates we could get.

The second thing is that I have pledged to the Congress that by Executive order, I will put all of this money, the spending cuts and the revenue increases, into a trust fund and that every year if we miss the deficit reduction target, I will come forward to the Congress and give them a plan to meet the target, that is, to have further cuts to meet the target, and ask them to vote on it. I might say that we had those requirements in the law, and through the parliamentary rules of the Senate, the Republicans took it out of the law. One hundred percent of the Republicans agree with that budgetary discipline, and they took it out because they thought it was good politics for them to take it out and weaken the bill further. So I'm going to do it by Executive order. So it is different.

Now, let me say, there was one other thing different from 1990. Because this plan has been taken much more seriously by the financial markets, it has already had a big impact in bringing down long-term interest rates, and that has led millions of people to refinance their homes and their business loans. And I'm convinced once we actually pass the plan, we'll release a lot of investment into the economy. The other thing we do that was not done in 1990 is have investment incentives: the 75-percent in small business expensing—that will qualify over 90 percent of the small businesses in the country for a tax cut if they invest more in their business; a new business capital gains tax which will really help in high technology areas; we've got incentives to reinvest in homebuilding and to reinvest in new plant and equipment through changes in the alternative minimum tax. So there are a lot of pro-growth incentives in this plan that were not there in 1990, and those are the principal differences.

Ross Perot and the Economic Program

Q. Mr. President, good afternoon. Ross Perot is saying that this proposal should be

rejected so Members of Congress can go back home, visit with their constituents, get a better feel for the spending cuts that would be accepted, come back in September and cut some more. Why should that not be done?

The President. Well, because we've already got more spending cuts than revenue increases, number one; because we're going to keep cutting spending, as I have said. But no one who looks at this budget deficit believes it can seriously be brought under control unless there are some revenue increases. And you know, I think it's pretty funny—I mean, I've got a 4.3 cent gas tax in my plan. Ross Perot proposed a dime a year for 5 years or a 50 cent gas tax increase in his plan, something he was running from yesterday on television. I have more verifiable spending cuts than he proposed in his plan. We have done what we need to do here to get a budget out.

Here is the problem: Nothing precludes us from cutting more spending. We're going to cut more spending. But until we pass this budget, we are paralyzed from going on to the next big problem with the deficit, which is health care costs and entitlements there. And that's got to be dealt with in the context of health care reform. We can't get to health care reform; we can't consider the next big round of spending cuts through reinventing Government; we can't do the crime bill, which is very, very important; we can't do welfare reform; we can't do anything until we pass a budget. And we've debated this from February to August. These Members have been going home every weekend. There will be more spending cuts. There will be more spending cuts in every year I'm here. But the time has come to pass this budget and get on with it. The tax burden is fair. Spending cuts now will exceed the tax increases. And we're going to put it all against the deficit. And we've just got to do this so we can go on and do the rest of it. To keep wallowing around in it won't serve anybody very well.

Q. What do you do about Mr. Perot?

The President. Well, nothing. He doesn't have a vote in Congress. I think what was done yesterday was wonderful. The press kept saying, "Well, what would you do?"

Here's your plan; how can you criticize the President? Yours was off by \$400 billion. You're going to raise the gas tax by 50 cents." And so I don't have to do anything. I think, you know, it was nice to see him answer some questions for a change. There's nothing for me to do. I've got a plan, and it'll work, and I want to pass it. And it's good for the country.

Let me just say this: We had 67 business executives here from big and small companies last week, 4 energy company executives—half of them were Republicans, one of them was President Bush's cochairman—supporting this plan. And every one of them said we've got to do it because we've got to bring the deficit down, we've got to keep interest rates down, we've got to stabilize the economy, we need some incentives to grow—every one of them. I mean, there is very broad support for this program among people who really understand it.

When I went to Tokyo to meet with the leaders of other industrial nations at the G-7 summit, for 10 years the statement coming out of that meeting had criticized the United States for its budget deficit. For the first time in 10 years, they complimented the United States. And they agree with me that we ought to go and try to get the 111 countries that are in the General Agreement on Tariffs and Trade to lower tariffs on a whole range of issues, eliminate them on a lot of other products. And everybody concedes, who's studied this, that this could add hundreds of thousands of jobs to the American manufacturing sector this year. Why? Because we're doing something about our deficit.

We have got to move. We don't need to delay this another month or 2 months or 3 months. That's what they did in 1990, by the way. One of your questions was what didn't work in 1990. In 1990 they said, well, we just can't make up our mind, so we'll delay. So instead of adopting it in August, they adopted it at the end of October. That's 90 precious days almost from the first week in August to the end of October, 90 days we could be dealing with health care; we could be passing the Vice President's recommendations on reinventing Government, which would be even more spending cuts; we could

be passing a crime bill to help make our streets safer; that we could be dealing with welfare reform; all these things to strengthen the economy. None of this can be done unless we get this out of the way.

Spending Cuts

Q. Sir, there's been a good bit of discussion about the timing of the spending cuts, particularly saying that they mostly come in the later years. Could you please comment on the timing of the spending cuts?

The President. Well, they weren't timed to do that. The fact is that we have more control—when I took over this budget—these budgets are done on a 5-year cycle. If you're going to make deep cuts, it's easier to plan for them if you have a little time to plan for them. And also under the previous budget that we inherited, the budgets were already tighter in the early years, and they were much looser, I thought, in the later years.

But I assure you, we're not waiting for that. I've already given instructions to my Cabinet to prepare more budget cuts for the coming year. We have reduced the deficit in this year since I've been in office, mostly because of lower interest rates, by about \$25 billion over and above where it was projected to be. So there are budget cuts in the early years, but it's like planning anything else. If you're going to take big whacks out of a large organization, the longer time goes on, the more you have to plan, the bigger the cuts you can make.

Now, let me say one other thing. Other people talk about "cut first and tax later;" most of their cuts are in the later years, too. They just want to pass them first and then avoid the tough decisions on the taxes. But if you look at the cuts that are proposed by others, if you look at Senator Boren's cuts on entitlements, almost all of them come in the later years, the meaningful ones. That's where they come, except the proposals that would have raised the costs of health care to middle class Medicare recipients or upper class ones. I'm not against, for example, raising the premiums on Part B. That's what he called a spending cut. But if you're going to do it, it ought to be done in the context of overall health care reform and not just trying

to get more money from those folks. I think we need to reform the health care system.

The people who talk about spending cuts first are basically saying this. If you ask the people who say they're opposed to this but they understand the budget, they will tell you the following things: We are cutting defense sharply and about all we can. I'm concerned that we should not do more. We've cut it quite deeply. There is an overall freeze on domestic spending. For example, that means every dollar we increase Head Start, every dollar we increase education and training for workers that have been displaced by defense plants closing down, every dollar we put into new technologies for defense conversion—those are the three areas where we basically have increased—we have to cut in veterans affairs, in agriculture, in all these other areas. Already we have a budget that will reduce the Federal work force by over 100,000 people in the next 5 years, and there will be more cuts coming to that, so that's flat.

The only thing that's increasing in this budget are the so-called entitlements, and that's basically Medicare and Medicaid and Social Security cost of living. We have restrained Federal pay increases and Federal pension increases below where they have been under the previous administrations. They are getting some cost of living, but less than they ordinarily would, and I called for a freeze in the first year. So the real growth is in Medicare and Medicaid, in the health care programs. If you put a lid on them now without reforming the health care system, you must do one of two things that I think are not good. One is to charge middle class elderly people more for their Medicare and much more if you're going to make them pay it all. Or the second is to not charge them any more, just limit how much the Federal Government pays, and force the doctors and hospitals to shift all the costs to the private sector, which would raise the health insurance premiums of every newspaper on this telephone. That's what's been going on for years.

I guess I need to say this as clearly as I can: I do not dispute those who say if you want to take the deficit from where I take it to down to zero, you have to deal with entitlements. And it will require more spend-

ing cuts, not more tax increases beyond where we are. I agree with that. But my point is you don't get to that until you do this first. You've got to pass the budget first, then reform the health care spending in the country. Otherwise, what's going to happen with health care cuts, it's going to be very, very unfair to the elderly on Medicare or to people who are paying private insurance. They're going to bear the costs.

Space Station and Super Collider

Q. Mr. President, down here you're talking about budget cutting in Texas; that means two things basically, the SSC and the space station. How do you see their future? Are they going to hang in there? And if push comes to shove, how would you put them in priority of importance if you have to keep one and get rid of one?

The President. Well, let me just say this. They're both very important to me for different reasons. And I think they're both important to the country. I think, if you're asking how they're doing now, I think the space station is more secure than the super collider, because the space station passed a House vote. It was a narrow vote, as you probably know, the first time. The second time we got some more votes. But the first time we only carried it by a couple of votes when two good friends of mine who went down to vote against it stayed to the end and changed their vote so we could save it because they knew it was important to me and, I think, to the country, as I said.

So we have redesigned the space station after a serious review by an eminent team of national scientists. It is very important to maintain our leadership in space technology. It's very important in terms of new partnerships with Russia to keep them involved in this kind of technology, to reduce the incentive they have to sell weapons and keep them taking their nuclear force down. But most important, it's a big economic boom to us. If we get out of this, the Europeans will move right in, take this over, and have a lot of those high-wage jobs that Americans should have. So I think it is critically important.

The super collider is important, in my judgment, for science and for research, not so much for applied technology now. We

don't know for sure what it will produce, but we know that it has the potential to produce a great deal, and we know that other major science research projects like this have often had unintended benefits.

It's in more trouble now. And frankly, whether we can save it or not depends entirely on whether we can save it in the Senate. And the climate's not as good as it was last year when it was saved. I think then-Senator Bentsen clearly saved it in the Senate last time. It got beat by 70 more votes in the House this time than it did last year. I really don't know whether that's the real sentiment of the House or not. And then I don't know how much that had to do with the fact that, at the moment they were voting on the super collider, your Senators and Mr. Perot were out on the steps of the Capitol screaming at them to cut more spending, at the very moment the bill came up. I don't know whether that had anything to do with it or not, but I know it lost by 70 more votes than it did last year.

And you know, it's pretty tense in the Senate now over a lot of these issues. But I am strongly supporting it. I'm going to do what I can to pass it, and I think we've got a chance to pass it. The key to passing it, frankly, is asking the Senate to look at the national interest and look at the fact that we have to make a significant investment in nondefense research and development and technology. Now that we've cut defense a great deal and we have not offset all the cuts in technology with domestic investments in technology, and that's where a lot of these high wage jobs of the future come from, we can't permit this to become a debate where the people in California took 40 percent of the base closing cuts last time and they complained that Texas took no cuts and that they're voting for new revenues and the Texas Senators want—I mean, if it becomes a deal, you know, a State-by-State deal, I think it's gone. The only way we can save it is if people will recognize that it is in the national interest to do so. I'm hoping we can do it.

Q. There's time for one more question.

The President. I can't believe all these editorial writers don't have another question. [Laughter]

Economic Program

Q. You spoke about now having more spending cuts than tax increases. I wonder if you could give us the figures, the current state of affairs.

The President. Well, you know, they're still negotiating. It could change, but the last time I talked to Senator Mitchell it was about \$254 billion in spending cuts and about \$242 billion or \$241 in taxes, or something like that. They were at about \$496 billion. And like I said, it could change in the next few days, but—I mean in the next day or so. You know, let me close by, if I might—you asked me a question when you started, and I didn't really give you a very good answer about how I could get Senator Johnston's vote. I think, frankly, he's worried about looking like he reversed himself from voting against it the first time, and I can understand that.

But let me say, without identifying anybody, if you look at the people who have opposed the program or the people who voted for it with reluctance, their basic objections break down into two categories. One is a political one, pure and simple: "I think this is the right thing to do for the country, and I hope it passes, but I'm scared I'll get beat if I vote for it." And we have tried to help in several ways: first of all, by recreating an aggressive communications strategy, more like what we did in the campaign, to try to combat what we think are false claims against this plan and just to get the information out about it; and secondly, to ask everybody to imagine what it's going to be like, not the day after the vote but after we've had a chance to continue our spending cut program through the Vice President's reinventing Government initiative and through other cuts that will come when we've got a chance to deal with health care and welfare reform and the crime bill and these other issues.

Then there's a whole second category of people who say that this is okay, this is a legitimate and honest effort to do better, and it does, but it doesn't do enough. Senator Nunn, for example—we've got the Atlanta Journal on here—Senator Nunn is sort of in that category, you know, said you've got to deal with entitlement costs, too. And my argument to that group of people—and that's the argument that Senator Boren made yes-

terday—is that you're right, it doesn't do enough. But that's not a good reason to vote against this because what it does is very good, indeed. And unless you do this, you can't get to the second stage. That is, I completely agree we have to control entitlement costs and that that begins overwhelmingly with Medicare and Medicaid costs. I just don't think it's fair or right to do it unless it's part of an overall health care reform plan which brings down the cost of health care to all Americans and stops cost-shifting and doesn't impose unfair burdens on elderly people on Medicare. And my argument is, we're just beginning this process; we're not ending it. But if we don't pass this budget now, we'll fool around here for 60 or 90 more days debating the same old thing. We'll wind up with a program that may be marginally different than the one we've got, but it will in all probability have much less deficit reduction if we have to go into some sort of situation where we're paralyzed on this.

So the real issue here—I think the reason that we've had so many Republican as well as Democratic business leaders supporting this is that they want a decision, they want certainty, they want real deficit reduction, and they think this meets all those criteria and also has some real incentives to grow the economy, and it will free us to move on to these other things. That's what I keep emphasizing to Members of Congress who say this is not perfect. I say, look, we've got a 4-year contract here to deal with all these problems, and you can't expect this one bill to solve all the problems of the country. It won't carry that much water. But this is very, very important, but only a first step.

Health Care Reform

Q. Mr. President, since you brought up health care reform, what do you say to reassure Americans—looming over this budget package with its various tax increases is the specter of more increases to pay for health care. How can you reassure Americans that they're not getting ready to get hit by a one-two punch?

The President. First of all, I think we tried to be pretty clear from the beginning that a cigarette tax was just about the only thing we had under consideration to deal

with the Government's part of this responsibility, which is how to provide health care for the unemployed uninsured.

Now, the other big question that the small business community raised is what's going to happen to the employed uninsured, virtually all of whom work for small businesses. And I don't, myself, think that it's right to raise everybody else's taxes to cover those people because everybody else is paying too much already. I do think that if we're going to join the ranks of every other advanced country in the world and we're going to bring our costs down, we've got to cover everybody. An employer should bear some responsibility for their employees. And the employee should bear some responsibility, too. But my own view of that is that the best way to do that is to limit the ultimate cost to small business and phase any new requirements in over a period of years so that nobody is adversely affected too much.

But let me say on that point, it's important to remember that 70 percent of the small businesses in America already provide some coverage to their employees. Most of them pay too much for too little coverage because of the way our insurance market is organized. Most of them, in other words, are disadvantaged by the present system. For those who don't provide any coverage for themselves or their employees, they still get health care. But if they can't pay for it, the cost of that health care is simply shifted onto everybody else by the providers.

So my argument there is that we're going to do this with extreme sensitivity to the economy. I think that most business groups will like this program. I think most provider groups will like the program. And I think everybody recognizes that there's something badly wrong when we're spending over 14 percent of our income as a country every year on health care and no other country in the world except for Canada is even over 9. They're just barely over 9. We're competing with the Germans, who are at 8, and the Japanese, who are 8 percent of their income. And with no discernible effect on our life expectancy or anything else—we've got some serious problems they don't have.

Now, we'll never get down to where they are because we have more poor people, more

violence, and because for good reasons we emphasize more technology and breakthroughs. So we'll never get down to where they are, but we have got to bring these costs under control or the deficit will never get down to zero, and we can't really restore the competitiveness of our private sector.

So I would say that people should look forward to this with eagerness. Also, this is not going to be jammed through the Congress overnight. We're going to have an honest and open debate on this. I want the American community to sit down and really visit about this health care thing and talk it through. This is not going to be some sort of a blitzkrieg deal. We're going to take some time and really discuss it and debate it, just as we have for the last 6 months.

Thank you very much.

NOTE: The interview began at 3:49 p.m. The President spoke via satellite from Room 459 of the Old Executive Office Building. Participating in the interview were the editorial page editors of the New Orleans Times-Picayune, the Atlanta Journal, the Daily Oklahoman, the Dallas Morning News, the Houston Chronicle, and the Houston Post.

Message to the Congress on Iraq

August 2, 1993

To the Congress of the United States:

I hereby report to the Congress on the developments since my last report of February 16, 1993, concerning the national emergency with respect to Iraq that was declared in Executive Order No. 12722 of August 2, 1990. This report is submitted pursuant to section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), and section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c).

Executive Order No. 12722 ordered the immediate blocking of all property and interests in property of the Government of Iraq (including the Central Bank of Iraq), then or thereafter located in the United States or within the possession or control of a U.S. person. That order also prohibited the importation into the United States of goods and serv-

ices of Iraqi origin, as well as the exportation of goods, services, and technology from the United States to Iraq. The order prohibited travel-related transactions to or from Iraq and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. persons were also prohibited from granting or extending credit or loans to the Government of Iraq.

The foregoing prohibitions (as well as the blocking of Government of Iraq property) were continued and augmented on August 9, 1990, by Executive Order No. 12724, which was issued in order to align the sanctions imposed by the United States with United Nations Security Council Resolution 661 of August 6, 1990.

Executive Order No. 12817 was issued on October 21, 1992, to implement in the United States measures adopted in United Nations Security Council Resolution 778 of October 2, 1992. Resolution 778 requires U.N. member states temporarily to transfer to a U.N. escrow account up to \$200 million apiece in Iraqi oil sale proceeds paid by purchasers after the imposition of U.N. sanctions on Iraq. These funds finance Iraq's obligations for U.N. activities with respect to Iraq, including expenses to verify Iraqi weapons destruction, and to provide humanitarian assistance in Iraq on a nonpartisan basis. A portion of the escrowed funds will also fund the activities of the U.N. Compensation Commission in Geneva, which will handle claims from victims of the Iraqi invasion of Kuwait. The funds placed in the escrow account are to be returned, with interest, to the member states that transferred them to the United Nations, as funds are received from future sales of Iraqi oil authorized by the United Nations Security Council. No member state is required to fund more than half of the total contributions to the escrow account.

This report discusses only matters concerning the national emergency with respect to Iraq that was declared in Executive Order No. 12722 and matters relating to Executive Orders Nos. 12724 and 12817 (the "Executive Orders"). The report covers events from February 2, 1993, through August 1, 1993.